

**Community Services Report to  
SPC on Utilities and Corporate Services  
2019 April 17**

**ISC: UNRESTRICTED  
UCS2019-0505**

## **Proposed Non-Market Housing Land Disposition Policy**

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### **EXECUTIVE SUMMARY**

This report requests approval of a Council policy which will guide Administration in the identification and transfer of surplus City-owned land at below market value to Non-Profit Housing Providers. The purpose of this policy is to scale-up Non-Profit Housing Providers, assisting them in accelerating the development of their shovel-ready projects. This will help raise the percentage of non-market housing in Calgary to the national average of 6 per cent, which The City cannot do alone.

Implementation of this policy involves a biennial commitment to publicly offer surplus City-owned land at below market value to experienced Non-Profit Housing Providers with strong track records in the development of non-market housing. This policy is designed to create a standardized, targeted, transparent, public and predictable process and reduce the barriers in transacting with Non-Profit Housing Providers.

This policy also positions Calgary for readiness to capture federal and provincial funding to increase the affordable housing supply. The new National Housing Strategy requires local funding commitments, and City contributions of surplus City-owned land will assist Non-Profit Housing Providers to qualify for this funding.

Administrative guidance for this policy will fit into the larger Corporate Land Strategy which is currently being developed by Real Estate & Development Services ("RE&DS") and will be forwarded to Council beginning in Q2 2019.

### **ADMINISTRATION RECOMMENDATIONS:**

The SPC on Utilities and Corporate Services recommends that Council:

1. Adopt the Non-Market Housing Land Disposition Policy (Attachment 1);
2. Direct the ongoing administration of the Non-Market Housing Land Disposition Program by requesting Administration to report back with up to 10 separate development sites to be offered in a sales package in 2019 and every two years following, with performance of the program to be reviewed at the end of each business cycle; and
3. Direct Administration to formalize the coordination of the offering of surplus City-owned land with both provincial and federal funding application review so that resources from all levels of government can work together in the most effective way and report back on the progress of this work by Q2 2020.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2016 July 25, Council approved the Corporate Affordable Housing Strategy, which identified affordable housing as a Council priority. This Strategy provides a 10-year visionary plan for The City across six objectives including Objective #2: Leveraging City Land. This objective envisions partnering with Non-Profit Housing Providers by supporting development of new non-market housing through the transfer of surplus City-owned land.

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To further support Objective #2- Leverage City Land, the Corporate Affordable Housing Strategy Implementation Plan identified a commitment to selling five (5) parcels of City land at Below Market Value for Non-Market Housing projects each in 2017 and 2018.

The Implementation Plan also called for two specific short-term initiatives:

- Objective 2 (a) Support Non-Profit Housing Providers to build assets and increase operational capacity; and
- Objective 2 (c) Adopt a proactive land strategy for affordable housing across Calgary.

On 2017 April 24, in response to this commitment, Calgary City Council approved the sale of seven City-owned development sites to Non-Profit Housing Providers. These sites were situated throughout Calgary and were selected based on several considerations including being surplus to municipal requirements, proximity to transit, grocery, schools, employment centres and amenities identified as important by low income families in selecting a place where their families could succeed. The City used a Geographic Information System (GIS) site selection analysis tool to further refine surplus City-owned lands suitable for non-market housing developments.

In June 2017, The City released its first formal offering of surplus City-owned land targeted specifically to Non-Profit Housing Providers. This was the most significant sale of land to Non-Profit Housing Providers in The City's history and is projected to result in the development of 160+ new affordable homes by three Non-Profit Housing Providers – HomeSpace, Habitat for Humanity and Homes For Heroes. It also included a newly established partnership with Canada Mortgage & Housing Corporation (CMHC), who will provide Federal Seed Funding for all eligible successful applicants and co-reviewed applications through a coordinated application process for both municipal and federal programs.

As part of this first land sale, The City received twelve applications for six sites, including several proposed partnerships with other non-profit organizations who would provide services or other resources. These were awarded in February 2018, will be closing in the Spring of 2019. Development Permits have been issued and construction will begin immediately, as the land was conditioned on construction deadlines which are built into the purchase and sale agreements.

The economic impacts of this first land sale are significant (see Attachment 2). The investment of \$6.4 million in City land value leveraged an additional \$30+ million in Provincial, Federal and private resources, including \$8 million in private philanthropic funding. This total investment of almost \$40 million produced approximately 370 direct and indirect jobs.

An additional 160 units of non-market housing were committed to the City for up to 40 years, more than doubling the capacity of The City to provide non-market housing. Of these, more than 80 units targeted vulnerable populations such as chronic homeless and homeless veterans, saving taxpayers \$34,000 per person per year in social service costs or approximately \$110 million over the life of the projects.

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### **BACKGROUND**

Since 2009, The City has leveraged 17 City-owned properties supporting over 500 units of affordable housing. Prior to 2016, the process to award surplus City-owned lands was inefficient for Administration and housing providers. Administration typically received frequent unsolicited, ad hoc requests for surplus City-owned land for a wide variety of affordable housing projects without a proactive strategy or mechanism to evaluate proposals. With the approval of the 2016-2025 Corporate Affordable Housing Strategy and One Calgary in 2018, Administration was directed to strategically and proactively leverage City land for the development of affordable housing and formalize principles to remove barriers when transacting with Non-Profit Housing Providers on land sales.

Calgary has a significant shortfall of affordable housing units with only 3.6 per cent of all housing considered affordable as compared to the national average of 6 per cent in other major urban centres. Today, 19 per cent of Calgary households struggle with housing costs and an additional 15,000 new affordable housing units are immediately needed to meet the demand within Calgary. The City of Calgary will develop 1,000 new affordable units over the following eight years and does not have the capacity to develop the number of housing units needed to fill this shortfall.

With The City's 10-year plan to end homelessness, the RESOLVE campaign, a partnership of private sector developers committed to support affordable housing and the creation of the Community Housing Affordability Collective (CHAC) all in the past decade, Non-Profit Housing Providers in Calgary have established the readiness and development capability to deliver an increased supply of non-market housing. Additionally, the new National Housing Strategy has a 10-year investment of \$40 billion from which Calgary and its Non-Profit Housing Provider partners are positioned to benefit, if The City can provide municipal contributions to leverage with private funding to meet the co-investment requirements.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Selling surplus City-owned land at Below Market Value to support non-market housing development can further a variety of municipal goals, whether providing critical support to get new and innovative housing models off the ground or helping established Non-Profit Housing Providers with strong track records to achieve operational self-sufficiency and scalability. By proactively identifying and selling the appropriate land located across a variety of neighborhoods with supporting amenities, The City will realize a long-term vision for affordable housing across Calgary.

In defining Below Market Value, the policy considers not just The City's defined "Book Value" or the amount the City has invested in a parcel, but also considers the other costs of sale such as such as environmental assessments or road plan registrations, as needed. It also provides Administration the flexibility to consider the Book Value of the entire set of parcels being offered, balancing parcels with higher book values and lower book values to set a sales price for each parcel that may be more consistent with parcel size and considers the development challenges the selected Non-Profit Housing Provider may face.

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In analyzing the most effective way to meet the goals of Council outlined in the 2016-2025 Corporate Affordable Housing Strategy Implementation Plan, Administration considered the past experience of ad-hoc sales to Non-Profit Housing Providers, where the Non-Profit provider typically identified a City-owned parcel and approached The City either through Notice of Motion of Council or by direct negotiation. However, these transactions typically take a significantly longer period of time to close and are far more staff intensive. As proposed in this policy, The City would proactively identify surplus City-owned land which would be analyzed for their location and amenities and offer these parcels through an open, transparent process and on a predictable cycle (every two years).

The policy will increase efficiencies, discourage land banking and help to standardize transactions to experienced Non-Profit Housing Providers by creating a transparent process where all qualifying organizations will have the equal access to surplus City-owned land. A secondary result of the policy will allow the remaining parcels of surplus City-owned land to be marketed and sold for revenue without question of long-term future requirements for affordable housing.

#### **Stakeholder Engagement, Research and Communication**

Development of this policy and corresponding administrative processes, is being completed in consultation with various business units, including RE&DS, Law and Planning as well as CHMC and The Province, all of whom will play an important part in its success by helping to identify and approve properties that can be most successfully developed as non-market housing. The result is a proactive policy which considers factors which will help The City, its neighbourhoods and Calgary residents in need of non-market housing, succeed.

As part of this policy creation, The City of Calgary conducted an online survey in May/June 2018 with Non-Profit Housing Providers to identify their future land needs (see Attachment 3 for key findings). There were three main purposes of the survey. The first was to elicit feedback on The City's 2017 non-profit land transfer program. The second was to inform a future strategy for surplus City-owned land dispositions to Non-Profit Housing Providers for non-market housing. The third was to gain a general understanding of the Non-Profit Housing Providers' development plans in Calgary.

As noted in this report, Non-Profit Housing Providers have consistently identified the acquisition of land at below market value as being one of the greatest challenges for successful development of a non-market housing property and securing additional funding resources for the development of that project. The results of this initial survey of Non-Profit Housing Providers support the need for an offering of up to 10 parcels of land over the next two years for the development of affordable housing units. This survey will be conducted by Administration each business cycle to inform a number of considerations including development capacity (number of parcels anticipated), geographic area and general development plans. In years where Non-Profit Housing Provider capacity varies, the benefit of this program would be to continually tailor the land requirements as needed.

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Administration continues to engage stakeholders in determining the best way to close the gaps in non-market housing need. The Community Housing Affordability Collective (CHAC) is a key component of any engagement with this sector and other Non-Profit Housing Providers and their partners to further understand the gaps that exist in meeting affordable housing needs.

Additionally, The City has consulted with both CMHC and the Province with the goal of assuring that the use of surplus City-owned land to support non-market housing development will also align with their program goals, giving Calgary Non-Profit Housing Providers optimal opportunities to leverage funding from multiple levels of government.

It should also be noted that in the 2018 Citizen Satisfaction Spring Pulse Survey, affordable housing was Calgarians top priority for investment, with 93 per cent of residents urging The City to invest the same or more, and 95 per cent of Calgarians indicating that affordable housing for low income families and individuals was important.

### **Strategic Alignment**

In addition to the needs outlined in this report and in the Corporate Affordable Housing Strategy (2016-2025), this policy will help to advance the goals and policies of existing City plans that call for increased housing affordability to meet the diverse needs of Calgarians. This policy is aligned with the 60-year Calgary Municipal Development Plan which includes the following objective under Part 2.3.1: Housing: “Ensure a choice of housing forms, tenures and affordability to accommodate the needs of current and future Calgarians and create sustainable local communities.” It is also aligned with One Calgary Council Directives under a Prosperous City to enhance partnerships with the non-profit sector (P4) and deliver programs to provide sufficient supply of affordable housing (P5).

This policy is also well aligned to the goals of multiple external plans. Calgary’s Updated Plan to End Homelessness (2015) includes “Increasing housing & supports and affordable housing options” as a priority direction. The Seniors Age Friendly Strategy and Implementation Plan (2015) includes a strategy to “Support policy changes and initiatives to increase overall affordable housing supply through the Community Affordable Housing Strategy” (Priority III, Result 2, Strategy A).

As part of work currently being led by Real Estate & Development Services, Administration is developing a Corporate Land Strategy for Council’s consideration in 2019. Corresponding RE&DS specific program strategies may also be delivered as chapters, including a chapter addressing the administrative process behind the Non-Market Housing Land Disposition Policy.

### **Social, Environmental, Economic (External)**

A diversified housing market creates and retains jobs, attracts new workers, mitigates poverty, meets the needs of seniors and families, and keeps our most vulnerable residents off the street. This in turn reduces financial stress on the health care system, the justice system, policing, social services, City Administration, and other municipal and provincial services. Results from Housing First programs piloted in Calgary as one of Alberta’s Seven Cities have shown that providing housing to one homeless person yields \$34,000 in annual savings to taxpayers.

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In addition, demand for non-market housing remains strong, as evidenced by the 88,000 Calgary households currently earning less than 65 per cent of area median income and spending more than 30 per cent of their income on housing costs, as well as by Calgary Housing Company's current wait list of over 4,000 households.

Land transfers to Non-Profit Housing Providers will increase the availability of new non-market housing units across Calgary and will provide Non-Profit Housing Providers increased operational sustainability through land ownership and financing opportunities. The strategic sale of surplus City-owned land to Non-Profit Housing Providers at Below Market Value will be stacked with prioritized planning approvals, grants for pre-development costs and development fee rebates through the Housing Incentive Program. This allows The City to support:

- Scaling-up of Non-Profit Housing Providers increasing their economy of scale for administration and operations. Generally, non-profits are administratively efficient when they are managing 1,200 units or more.
- Leveraging federal and provincial funding for affordable housing development attracting the funding to Calgary.
- Accelerating project readiness for construction so that Non-Profit Housing Providers can effectively leverage funding, reducing the time to develop new non-market housing units.
- Providing increased local economy investments including establishment of long-term jobs.
- Encouraging long term affordability for newly created non-market housing units.
- Creating the required partnerships for co-investment at various levels of government.
- Creation of complete communities by offering appropriately located surplus City-owned land throughout all neighbourhoods, connecting future residents to essential services, amenities and supports.

In order to achieve success under this policy, it is important that The City not only identify the surplus City-owned lands based on their economic values but also consider the opportunities for varying housing form, income levels and diversity that affordable housing can bring to every neighborhood in the city.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

Sales of surplus City-owned land administered under this policy will be recorded in Real Estate & Development Services Operating Program 488 and net proceeds from the sale will be transferred to the Revolving Fund Reserve (or any other fund/investment as directed by Council).

#### ***Current and Future Capital Budget:***

This proposed policy has no direct impact on current or future capital budgets.

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### **Risk Assessment**

If the proposed policy is not approved, the need for additional non-market housing throughout the city will continue to increase and The City will miss out on the opportunity to scale up Non-Profit Housing Providers and leverage additional funding and resources for The City of Calgary. Without the support of Non-Profit Housing Providers, City resources will remain the primary source for the development and management of non-market housing units needed to meet the demand. This will greatly compromise the One Calgary targets to deliver 1,900 “new non-profit affordable homes” between 2019-2022. In the absence of scaling up the Non-Profit Housing Providers to support The City in the production of non-market housing units, the need for such housing will continue to grow putting pressure on The City economically. A stable supply of affordable housing that increases at a rate to meet the growth needs of The City will assist in building a local economy that is more resilient. If this policy is not approved, then the likelihood of this risk would be high and the impact would be high.

There is a risk that even if this policy is approved that Council or Administration may continue to participate in ad hoc negotiation(s) with Non-Profit Housing Providers minimizing the impact this policy would have on strategically planning for the development of non-market housing. In the adoption of this policy, it is the preference of Calgary Housing that all below-market land sales to non-market housing providers be transacted solely under the parameters of this policy. If this policy is not approved and Administration or Council continues to address ad hoc requests, then the likelihood of this risk would be high and the impact would be high.

Additional risks may occur whether the policy is implemented or ad hoc sales to Non-Profit Housing Providers of surplus City-owned land continue. These risks could include the failure to deliver on the commitment to provide non-market housing by the Non-Profit Housing Provider and/or profiting from the sale or transfer of surplus City-owned land. To mitigate these risks and ensure non-market housing is developed on surplus City-owned land, The City will utilize resources such as building commitments, housing agreements and options to repurchase, to ensure development is completed in a timely manner and occupancy by eligible residents is maintained through the life of the housing agreement. With these tools in place, the likelihood of this risk occurring is low and the impact would be medium.

If the recommendations are approved, the implementation of this policy will result in a reduction of financial contributions to the Revolving Fund Reserve. By selling surplus City-owned land at below market value, The City will forego the full market value potential of the parcel and as a result there will be reduced financial contributions to the Revolving Fund Reserve compared to if those same lands were sold on the open market. Instead, this difference would be identified as The City's contribution towards non-market housing. It is important to note that the full value of The City's market contribution would be realized by Non-Profit Housing Providers and would serve as the required leverage for provincial and federal housing investments, as well as bringing additional investment into Calgary through the creation of new non-market housing opportunities.

To mitigate the impact of this revenue differential, Administration will include the estimated market value as compared to the proposed below market value sale price for each property proposed for sale under this policy within the Method of Disposition reports brought forward to

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Council for approval. This would allow Council the ability to consider this delta on each parcel brought forward through this program for disposition and sale prior to making a decision.

As The City becomes a more effective manager of its corporate land inventory, the number of City-owned parcels surplus to the municipal needs should decrease. As a result, there is a risk that at some point in the future, The City's inventory of surplus land will be insufficient to satisfy the wants and needs of Non-Profit Housing Providers as contemplated by this proposed policy. This risk should be embraced as an opportunity in that the Corporation may seek new and exciting ways to support non-market housing.

**REASONS FOR RECOMMENDATIONS:**

This Policy proposes an ongoing process in which City-owned lands that have been deemed surplus to municipal needs and are no longer required by The City are used to meet a strategic Council objective. Disposition of lands which have been reviewed internally through Administration's processes and offered through targeted marketing to Non-Profit Housing Providers will lead to a significant increase in non-market housing supply and will make a substantial contribution to achieving the objectives of the Corporate Affordable Housing Strategy 2016-2025.

**ATTACHMENTS**

1. Attachment 1 – Non-Market Housing Land Disposition Policy (Proposed Council Policy)
2. Attachment 2 – Economic Impact from the Initial Offering of City-owned Land to Non-Profit Providers (2017)
3. Attachment 3 – 2018 Non-Profit Affordable Housing Land Survey